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DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[16X.LLWO320000.L13200000.PP0000]

Notice of Intent to Prepare a Programmatic Environmental Impact Statement to Review the Federal Coal Program and to Conduct Public Scoping Meetings

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice.

SUMMARY: In compliance with the National Environmental Policy Act of 1969, as amended (NEPA), the Bureau of Land Management (BLM), Washington Office, intends to prepare a Programmatic Environmental Impact Statement (EIS) to review the Federal coal program.

This Notice of Intent begins the process of defining the scope of the Programmatic EIS by providing background on the Federal coal program and identifying the issues that may be addressed in the Programmatic EIS. This Notice informs the public about: Concerns that have been raised about the Federal coal program; issues that are expected to be assessed in the Programmatic EIS; and potential modifications to the Federal coal program suggested by stakeholders during the listening sessions that could be considered in the Programmatic EIS. This Notice of Intent also announces plans to conduct public scoping meetings, invites public participation in the scoping process, and solicits public comments for consideration in establishing the scope and content of the Programmatic EIS.

DATES: The BLM will invite interested agencies, States, American Indian tribes, local governments, industry, organizations and members of the public to submit comments or suggestions to assist in identifying significant issues and in determining the scope of this Programmatic EIS.

The BLM will be holding public scoping meetings to obtain comments on the Programmatic EIS and plans to hold these meetings in the following locations: Casper, WY; Grand Junction, CO; Knoxville, TN; Pittsburgh, PA Salt Lake City, UT; and Seattle, WA. The BLM will announce the specific dates and locations of the scoping meetings at least 15 days in advance through local media, newspapers, and the project website at: http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/details_on_coal_peis.html. In addition, the BLM will consider all written comments received or postmarked during the public comment period on scoping, which will close 30 days after the final public meeting.

ADDRESSES: You may submit written comments by the following methods:

- Email: **BLM_WO_Coal_Program_PEIS_Comments@blm.gov**. This is the preferred method of commenting.
- Mail, personal, or messenger delivery: Coal Programmatic EIS Scoping, Bureau of Land Management, 20 M St., SE, Room 2134LM, Washington, DC 20003

FOR FURTHER INFORMATION CONTACT: Mitchell Leverette, Chief, Division of Solid Minerals, email: mleveret@blm.gov, telephone: 202-912-7113, or visit the Coal Programmatic EIS website at: http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/details_on_coal_peis.html.

SUPPLEMENTARY INFORMATION: On January 15, 2016, the Secretary of the Interior issued Order No. 3338 directing the BLM to conduct a broad, programmatic review of the Federal coal program it administers through preparation of a Programmatic EIS under NEPA. 42 U.S.C. 4321 *et seq.* The Order was issued in response to a range of concerns raised about the Federal coal program, including, in particular, concerns about whether American taxpayers are receiving a fair return from the development of these publicly owned resources; concerns about market conditions, which have resulted in dramatic drops in coal demand and production in recent years, with consequences for coal-dependent communities; and concerns about whether the leasing and production of large quantities of coal under the Federal coal program is consistent with the Nation's goals to reduce greenhouse gas emissions to mitigate climate change. In light of these issues, the Programmatic EIS will identify and evaluate potential reforms to the Federal coal program. This review will enable the Department to consider how to modernize the program to allow for the continued development of Federal coal resources, as appropriate, while addressing the substantive issues raised by the public, other stakeholders, and the Department's own review of the comments it has received during recent listening sessions held last year in Washington, DC; Billings, Montana; Gillette, Wyoming; Denver, Colorado; and Farmington, New Mexico.

Background and Need for Agency Action

A. Overview of Federal Coal Program

Under the Mineral Leasing Act of 1920, as amended, 30 U.S.C. 181 *et seq.*, and the Mineral Leasing Act for Acquired Lands of 1947, as amended, 30 U.S.C. 351 *et seq.*, the BLM is responsible for the leasing of Federal coal and regulation of the development of

that coal on approximately 570 million acres of the 700 million acres of mineral estate that is owned by the Federal government. This includes Federal mineral rights on Federal lands and Federal mineral rights located under surface lands with non-Federal ownership. Under the authority of the Mineral Leasing Act, the BLM administers leasing and monitors coal production. Other Departmental bureaus, in particular the Office of Surface Mining Reclamation and Enforcement (OSMRE) and the Office of Natural Resources Revenue (ONRR), also take actions related to coal mining on Federal lands. The OSMRE, and those States that have regulatory primacy under the Surface Mining Control and Reclamation Act of 1977 (SMCRA), permit coal mining and reclamation activities, and monitor reclamation and reclamation bonding actions. The ONRR collects and audits all payments required under the lease, including bonus bids, royalties, and rental payments, and distributes those funds between the Federal Treasury and the States where coal resources are located.

1. Federal Coal Leasing and Production

On average, over the last few years, about 41 percent of the Nation's annual coal production came from Federal land. Federal coal produced from the Powder River Basin in Montana and Wyoming accounts for over 85 percent of all Federal coal production. Federal coal was used to generate an estimated 14 percent of the Nation's electricity in 2015. Coal is also used for other critical processes, including making steel (metallurgical coal).

As of FY2015, the BLM administered 306 coal leases, covering 482,691 acres in 11 States, with an estimated 7.75 billion tons of recoverable Federal coal. Over the last decade (2006-2015), the BLM sold 32 coal leases and managed leases that produced

approximately 4.3 billion tons of coal and resulted in \$9.55 billion in revenue collections by the United States.

The U.S. Energy Information Administration (EIA) estimates total U.S. coal production in 2015 was about 895 million short tons (MMst), 10 percent lower than in 2014 and the lowest level since 1986.¹ EIA projects that coal production will fall by another 12 percent in 2016, then rise by 2 percent in 2017.² The approximately 7.75 billion tons of recoverable reserves of Federal coal currently under lease is estimated to be sufficient to continue production at current levels for 20 years, averaged across all leases, and these reserves would be sufficient to cover production, on average, for even longer if coal production declines, as is projected.

EIA estimates that U.S. coal exports decreased 23 MMst (24 percent) from 2014 levels to 74 MMst in 2015, and EIA expects the current global coal market trends to continue.³ EIA forecasts that coal exports will decline by an additional 10 MMst (13 percent) in 2016 and by 1 MMst (2 percent) in 2017.⁴

In terms of employment and revenues to the States, coal mining employed almost 90,000 people in 2012. More recently, there were an estimated 74,000 direct jobs in coal mining as of May 2014, including roughly 6,500 in Wyoming.⁵ Revenues from Federal coal

¹ U.S. EIA, *Short Term Energy Outlook: Coal* (Mar. 8, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>); U.S. EIA, *Today in Energy: Coal Production and Prices Decline in 2015* (Jan. 8, 2016) (<http://www.eia.gov/todayinenergy/detail.cfm?id=24472>). Note that the EIA data referenced in this Notice is more recent than the EIA data referenced in the Secretarial Order.

² U.S. EIA, *Short Term Energy Outlook: Coal* (Mar. 8, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>).

³ U.S. EIA, *Short Term Energy Outlook: Coal* (Mar. 8, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>).

⁴ U.S. EIA, *Short Term Energy Outlook: Coal* (Mar. 8, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>).

⁵ Bureau of Labor Statistics, *May 2014 National Industry-Specific Occupational Employment and Wage Estimates; NAICS 212100 - Coal Mining* (http://www.bls.gov/oes/current/naics4_212100.htm); Wyoming Department of Workforce Services, *Wyoming Labor Market Information* (<http://doe.state.wy.us/lmi/CES/nawy14.htm>).

provided Wyoming approximately \$556 million in FY2014. Other States received the following approximate amounts: Utah – \$44 million; Montana – \$43 million; Colorado – \$36 million; and New Mexico – \$16 million.

2. Federal Coal Program

The current BLM coal leasing program includes land use planning, processing applications (e.g., for exploration licenses and lease sales), estimating the value of proposed leases, holding lease sales, and post-leasing actions (e.g., production verification, lease and production inspection and enforcement, royalty reductions, and bond review).

The Federal Government receives revenue from coal leasing in three ways: (1) A bonus that is paid at the time BLM issues a lease; (2) Rental fees; and (3) Production royalties. The royalty rates are set by regulation at a fixed 8 percent for underground mines and not less than 12.5 percent for surface mines. All receipts from a lease are shared with the State in which the lease is located (51 percent to the Federal Government and 49 percent to the State).

The BLM’s planning process for Resource Management Plans, supported by environmental analysis under NEPA, identifies areas that are potentially available to be considered for coal leasing. The planning process considers, among other things, the impacts of a “reasonably foreseeable development scenario,” but it does not directly authorize any coal leasing or determine which coal will actually be leased.

The Federal Coal Leasing Amendments Act of 1976 (FCLAA), which amended Section 2 of the Mineral Leasing Act of 1920, requires that, with limited exceptions, Federal lands available for coal leasing be sold by competitive bid, with the BLM receiving “fair

market value” for the lease. While multiple bids are not required, all successful bids must equal or exceed the estimated pre-sale fair market value for the lease, as calculated by the BLM. Competitive leasing is not required for: (1) Preference right lease applications for owners of pre-FCLAA prospecting permits; and (2) Modifications of existing leases, where Congress has authorized the Secretary to allow up to 960 acres (increased from 160 acres by the Energy Policy Act of 2005) of contiguous lands for noncompetitive leasing by modifying an existing lease.

The BLM issued coal leasing regulations in 1979 that provided for two separate competitive coal leasing processes: (1) Regional leasing, where the BLM selects tracts within a region for competitive sale; and (2) Leasing by application, where an industry applicant nominates a particular tract of coal for competitive sale.

Regional coal leasing requires the BLM to select potential coal leasing tracts based on land use planning, expected coal demand, and potential environmental and economic impacts.⁶ This process includes use of a Federal/State advisory board known as a Regional Coal Team⁷, to provide input on leasing decisions. The regional leasing system has not been used since 1990, and currently all BLM coal leasing is done by application.⁸ Leasing by application begins with the submission of an application to lease a tract of coal identified by the applicant.⁹ The BLM reviews the application for completeness, to ensure that it conforms to existing land use plans, and to ensure that it contains sufficient

⁶ 43 CFR part 3420.

⁷ The BLM regulations require a Regional Coal Team to be established for each coal production region, comprised of representatives from the BLM and the Governors of each State in the region. The Regional Coal Teams are to guide the coal planning process for each coal production region, serve as the forum for BLM and State consultation, and make recommendations on coal leasing levels. 43 CFR 3400.4.

⁸ While the Powder River Basin (PRB) coal production region was decertified in 1992, the PRB regional coal team is still in place and meets periodically to review regional activity and make recommendations on coal leasing in the region.

⁹ See 43 CFR subpart 3425.

geologic data to determine the fair market value of the coal. The agency then prepares an analysis under NEPA (either an Environmental Assessment or an EIS) and seeks public comment on the proposed lease sale. Through this process, the BLM evaluates alternative tract configurations to maximize competitiveness and value, and to avoid bypassing Federal coal. The BLM also consults with other appropriate Federal, State, and tribal government agencies, and the BLM determines whether the surface owner consents to leasing in situations where the surface is not administered by the BLM.

Preparations for the actual lease sale begin with the BLM formulating, after obtaining public comment, a pre-sale estimate of the fair market value of the coal. This estimate is kept confidential and is used to evaluate the bids for the lease “bonus” received during the sale. Sealed bids are accepted prior to the date of the sale and are publicly announced during the sale. The winning bid is the highest bid that meets or exceeds the coal tract’s presale estimated fair market value, assuming that the bidder meets all eligibility requirements and has paid the appropriate fees and payments.

There are two separate bonding requirements for Federal coal leases. The BLM requires a bond adequate to ensure compliance with the terms and conditions of the lease, which must cover a portion of potential liabilities associated with the bonus bid, rental fees, and royalties. In addition, under SMCRA, the OSMRE or the State with regulatory primacy requires sufficient bonding to cover anticipated reclamation costs.

A Federal coal lease has an initial term of 20 years, but it may be terminated after 10 years if the coal resources are not diligently developed. 30 U.S.C. 207. Existing leases that have met their diligence requirements may be renewed for additional 10 year terms following the initial 20 year term.

3. Previous Comprehensive Reviews

The Department has previously conducted two separate, comprehensive reviews of the Federal coal program. In the late 1960s, there were serious concerns about speculation in the coal leasing program. A BLM study discovered a sharp increase in the total Federal acreage under lease and a consistent decline in coal production. In response, the Department undertook the development of a planning system to determine the size, timing, and location of future coal leases, and the preparation of a Programmatic EIS for the entire Federal coal leasing program. Beginning in February 1973, the short-term actions included a complete moratorium on the issuance of new coal prospecting permits, and a moratorium with limited exceptions on the issuance of new Federal coal leases. New leases were issued only to maintain existing mines or to supply reserves for production in the near future, where “near future” meant that development and production were to commence within 3 and 5 years, respectively. The moratorium was scaled back over time, but was not completely lifted until 1981, after the Programmatic EIS had been completed, a new leasing system had been adopted through regulation, and litigation was resolved.

In 1982, concerns about the Federal coal program arose again, this time related to allegations that the Government did not receive fair market value from a large lease sale in the Powder River Basin under the new procedures adopted as part of the programmatic review in the 1970s. Among other reports on the issue, in May 1983, the Government Accountability Office (GAO) issued a report concluding that the Department had received roughly \$100 million less than it should have for the leases sold. In response, in July 1983, Congress directed the Secretary to appoint members to a commission, known

as the Linowes Commission, to investigate fair market value policies for Federal coal leasing. Congress also, in the 1984 Appropriations Act, directed the Office of Technology Assessment (OTA) to study whether the Department's coal leasing program was compatible with the nationally mandated environmental protection goals.

As part of the 1984 Appropriations Bill, Congress imposed a moratorium on the sale or lease of coal on public lands, subject to certain exceptions, starting in 1983 and ending 90 days after publication of the Linowes Commission's report. The Linowes Commission published the *Report of the Commission on Fair Market Value Policy for Federal Coal Leasing* in February 1984. The OTA report, *Environmental Protection in the Federal Coal Leasing Program*, was released in May 1984. The principal thrust of these reports was that the Department should: (1) Temper its pace of coal leasing; (2) Improve and better document its procedures for receiving fair market value; and (3) Take care to balance competing resource uses in making lease decisions.

Interior Secretary William P. Clark extended the suspension of coal leasing (with exceptions for emergency leasing and processing preference right lease applications, among other things), while the Department completed its comprehensive review of the program. This review included proposed modifications to be made by the Department in response to the Linowes Commission and OTA reports. Secretary Clark announced on August 30, 1984, that the Department would prepare an EIS supplement to the 1979 Programmatic EIS for the Federal coal management program. The Department issued the Record of Decision for the Programmatic EIS supplement in January 1986, in the form of a Secretarial Issue Document. That document recommended continuation of the leasing

program with modifications. In conjunction with those modifications, Interior Secretary Donald Hodel lifted the coal leasing moratorium in 1987.

B. Need for Comprehensive Review of Federal Coal Program

On March 17, 2015, Secretary Jewell called for “an honest and open conversation about modernizing the Federal coal program.” As described above, the last time the Federal coal program underwent comprehensive review was in the mid-1980s, and market conditions, infrastructure development, scientific understanding, and national priorities have changed considerably since that time. The Secretary’s call also responded to continued concerns from numerous stakeholders about the Federal coal program, including concerns raised by the GAO,¹⁰ the Department’s Office of Inspector General (OIG),¹¹ members of Congress, interested stakeholders, and the public. The concerns raised by the GAO and OIG centered on whether taxpayers are receiving fair market value from the sale of coal. Others raised concerns that the current Federal leasing structure lacks transparency and competition and is therefore not ensuring that the American taxpayer receives a fair return from Federal coal resources, while also raising questions regarding current market conditions for the coal industry generally and related implications for Federal resources. Stakeholders also questioned whether the leasing program results in over-supply of a commodity that has significant environmental and health impacts, including impacts on global climate change.

In response to the Secretary’s call for a conversation to address these concerns, the BLM held 5 listening sessions regarding the Federal coal program in the summer of 2015.

¹⁰ GAO, *Coal Leasing: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information*, GAO 14-140 (Dec. 2013).

¹¹ OIG, *Coal Management Program, U.S. Department of the Interior*, Report No.: CR-EV-BLM-0001-2012 (June 2013).

Sessions were held in Washington, D.C.; Billings, Montana; Gillette, Wyoming; Denver, Colorado; and Farmington, New Mexico. The Department heard from 289 individuals during the sessions and received more than 92,000 written comments before the comment period closed on September 17, 2015. The oral and written comments reflected several recurring themes:

- Concern about global climate change and the impact of coal production and use.
- Concern about the loss of jobs and local revenues if coal production is reduced.
- Support for increased transparency and public participation in leasing and royalty decisions and concern that the structure of the leasing program does not provide for adequate competition or a fair return to the taxpayer for the use of Federal resources.
- Support for increasing coal royalty rates because: (1) The royalty rate should account for the environmental costs of coal production; (2) The royalty rate should match the rate for offshore Federal leases; and (3) Taxpayers are not receiving a fair return.
- Support for maintaining or lowering coal royalty rates because: (1) The coal industry already pays more than its fair share and existing Federal rates are too high given current market conditions; (2) Raising rates will lower production and revenues; and (3) Raising rates will cost jobs and harm communities.
- Support for streamlining the current leasing process, so that the Federal coal program is administered in a way that better promotes economic stability and jobs, especially in coal communities which are already suffering from depressed economic conditions.

Of these concerns, three aspects of the current Federal coal program received the most attention. First, numerous stakeholders are concerned that American taxpayers are not receiving a fair return on public coal resources. Second, many stakeholders are concerned that the Federal coal program conflicts with the Administration's climate policy and our national climate goals, making it more difficult for us to achieve those goals. Third, there are numerous and varying concerns about the structure of the Federal coal program in light of current market conditions, including how implementation of the Federal leasing program affects current and future coal markets, coal-dependent communities and companies, and the reclamation of mined lands. These three main concerns are addressed in more detail below.

1. Concerns about Fair Return

In 2013, both GAO and OIG issued reports expressing concerns about the Federal coal program, particularly with respect to the leasing process and fair market value. In response, in 2014, the BLM developed new protocols and issued policy guidance, a manual, and a handbook to implement these changes. Nevertheless, stakeholders have expressed concerns that the BLM's response, while helpful, was insufficient to rectify fundamental weaknesses in the program with respect to fair return.¹²

¹² See, e.g., Taxpayers for Common Sense, *Federal Coal Leasing: Fair Market Value and a Fair Return for the American Taxpayer* (Sept. 2013) (http://www.taxpayer.net/images/uploads/downloads/TCS_Federal_Coal_Leasing_Report_-_Final_-_Updated_10.4.13.pdf); Center for American Progress, *Modernizing the Federal Coal Program* (Dec. 2014) (<https://cdn.americanprogress.org/wp-content/uploads/2014/12/FederalCoal.pdf>); Headwaters Economics, *An Assessment of U.S. Federal Coal Royalties* (Jan. 2015) (<http://headwaterseconomics.org/wphw/wp-content/uploads/Report-Coal-Royalty-Valuation.pdf>); Center for American Progress, *Cutting Subsidies and Closing Loopholes in the U.S. Department of the Interior's Coal Program* (Jan. 6, 2015) (<https://cdn.americanprogress.org/wp-content/uploads/2015/01/CoalSubs-brief2.pdf>); Institute for Policy Integrity, *Harmonizing Preservation and Production* (June 2015) (<http://policyintegrity.org/publications/detail/harmonizing-preservation-and-production/>); Institute for Policy Integrity, *Illuminating the Hidden Costs of Coal* (Dec. 2015) (<http://policyintegrity.org/publications/detail/hidden-costs-of-coal>).

These concerns arise, at least in part, because there is currently very little competition for Federal coal leases. About 90 percent of lease sales receive bids from only one bidder, typically the operator of a mine adjacent to the new lease, given the investment required to open a new mine. While the BLM conducts a peer-reviewed analysis to estimate a pre-sale fair market value of the coal and will not sell a lease unless the bid meets or exceeds that value, commenters have questioned whether an accurate fair market value can be identified in the absence of a truly competitive marketplace.

Commenters also raised concerns about the royalty rates set in Federal leases, which are set by regulation at a fixed 8 percent for underground mines and not less than 12.5 percent for surface mines. Many stakeholders believe that these rates do not adequately compensate the public for the removal of the coal and the externalities associated with its use. Still others have suggested that the large volumes and relatively low costs of Federal coal, which currently represents approximately 41 percent of total domestic production, have the effect of artificially lowering market prices for coal, further reducing the amount of royalties received.

Stakeholders also criticize the Federal coal program for obtaining even lower returns through certain types of leasing actions, such as lease modifications, and through royalty rate reductions, which may result in royalty rates as low as 2 percent. In addition, stakeholders have noted that the \$100 acre minimum bid requirement established in the regulations is outdated, and although the minimum bid does not apply frequently, given fair market value requirements, there are situations in which it sets the floor for the bid price.

Some stakeholders further suggest that a fair return to the taxpayer should also include compensation for externalities such as the environmental damage (or lost environmental benefits) from the removal and combustion of the coal.

2. Concerns about Market Conditions

Stakeholders raised a variety of concerns about the implications of current and future coal market conditions. As reported by EIA, between 2008 and 2013, U.S. coal production fell by 16 percent in total, as declining natural gas prices and other factors made coal less competitive as a fuel for generating electricity.¹³ In 2015, U.S. coal production was roughly 891 MMst, 11 percent lower than 2014, and the lowest level since 1986.¹⁴ World-wide demand for coal appears to be softening as well, with EIA estimating a 23 percent decline in total U.S. coal exports in 2015 from the previous year.¹⁵ As a result of these market trends, a number of mines in the U.S. have idled production, companies have asked the BLM to hold off on processing certain lease tracts for sale, several major coal companies have entered Chapter 11 bankruptcy, many coal miners have been laid off, and coal-dependent communities have suffered.¹⁶ The EIA and other projections of future coal production anticipate continuing declines.

Stakeholders have urged the BLM to modify the Federal coal program to take these significant market changes into account, although the recommended changes vary. Some suggest that the program should attempt to improve the economic viability of the coal industry by reducing royalties and streamlining the leasing and permitting processes.

¹³ U.S. EIA, *Annual Energy Outlook 2015*, 22 (Apr. 14, 2015).

¹⁴ U.S. EIA, *Short Term Energy Outlook: Coal* (Feb. 9, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>) ; U.S. EIA, *Coal Production and Prices Decline in 2015* (January 8, 2016) (<http://www.eia.gov/todayinenergy/detail.cfm?id=24472>).

¹⁵ U.S. EIA, *Short Term Energy Outlook: Coal* (Feb. 9, 2016) (<http://www.eia.gov/forecasts/steo/report/coal.cfm>); *see also* U.S. EIA, *Coal Production and Prices Decline in 2015* (Jan. 8, 2016) (<http://www.eia.gov/todayinenergy/detail.cfm?id=24472>).

¹⁶ *See, e.g.,* Wall Street Journal, *Pressure on Coal Industry Intensifies*, B1 (Jan. 12, 2016).

Others raise concerns that the program has contributed to low coal prices by incentivizing over-production through non-competitive sales that oversupply the market.

Some have focused on how current market conditions threaten reclamation of lands disturbed by coal mining and may leave State and Federal governments with billions of dollars of unfunded reclamation liabilities. Specifically, many coal companies “self-bond” to meet reclamation bonding requirements, and some stakeholders have asserted that these companies may no longer have the funds to support reclamation activities, and/or they may attempt to shed reclamation obligations in bankruptcy.¹⁷ OSMRE currently estimates that there is over \$3.6 billion in outstanding self-bonded reclamation liability in the United States.

Stakeholders also expressed a number of views regarding export of Federal coal. Some see export markets as a possible way to maintain or expand Federal coal production, while others view the production of coal for export as a less valuable activity than coal production for domestic use. A number of stakeholders expressed concern that exports, or the potential for exports, were not adequately considered as part of the leasing process.

3. Concerns about Climate Change

The third broad category of concerns about the Federal coal program relates to its impacts on climate change. The United States has pledged under the United Nations Framework Convention on Climate Change to reduce its greenhouse gas (GHG) emissions by 26-28 percent below 2005 levels by 2025. The Obama Administration has made, and is continuing to make, unprecedented efforts to reduce U.S. GHG emissions in line with this

¹⁷ See, e.g., *In re Alpha Natural Resources, Inc., et al.*, Case No. 15-33896 (KRH) United States Bankruptcy Court, Eastern District of Virginia, Richmond Division (Alpha Resources bankruptcy filing) (Aug. 3, 2015) (<http://www.kccllc.net/alpharestructuring>); *In re Arch Coal, Inc., et al.*, Case No. 16-40120-705, United States Bankruptcy Court, Eastern District of Missouri, Eastern Division (Arch Coal bankruptcy filing (Jan. 11, 2016) (<http://www.archcoal.com/restructuring/>).

target through measures such as vehicle efficiency standards, the Clean Power Plan, energy efficiency standards, requirements to reduce methane reductions from oil and gas production, and many other measures. Numerous scientific studies indicate that reducing GHG emissions from coal use worldwide is critical to addressing climate change.¹⁸

As noted above, the Federal coal program is a significant component of overall U.S. coal production. In recent years, Federal coal has comprised about 41 percent of the coal produced in the U.S.¹⁹ When combusted, this Federal coal contributes roughly 10 percent of total U.S. GHG emissions.²⁰

Many stakeholders highlighted the tension between producing very large quantities of Federal coal while pursuing policies to reduce U.S. GHG emissions substantially, including from coal combustion. They also stated that the current leasing system does not provide a way to systematically consider the climate impacts and costs to the public of Federal coal development, either as a whole, or in the context of particular projects. In addition, they raise concerns that exporting Federal coal, and the associated GHG emissions, undermines our nation's efforts to encourage all countries to contribute to climate change mitigation efforts.

C. Secretarial Order

¹⁸ See, e.g., McGlade and Ekins, The geographical distribution of fossil fuels unused when limiting global warming to 2 °C, *Nature*, 517, 187–190 (Jan. 8, 2015) (finding that globally over 80% of current coal reserves should remain unused from 2010 to 2050 to meet the target of 2 degrees C).

¹⁹ U.S. EIA, *Sales of Fossil Fuels Produced from Federal and Indian Lands, FY 2003 through FY 2014* (July 17, 2015) (<https://www.eia.gov/analysis/requests/federallands/>) (quantity of Federal coal production in 2014 and percent of total U.S. coal production).

²⁰ *Id.*; U.S. EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks*, 3-2 (April 2015) (<http://www3.epa.gov/climatechange/Downloads/ghgemissions/US-GHG-Inventory-2015-Chapter-3-Energy.pdf>) (quantity of U.S. emissions from coal in 2013).

On January 15, 2016, the Secretary of the Interior issued Order No. 3338 directing the BLM to conduct a broad, programmatic review of the Federal coal program it administers through the preparation of a Programmatic EIS under NEPA. The Order stated:

Given the broad range of issues raised over the course of the past year (and beyond) and the lack of any recent analysis of the Federal coal program as a whole, a more comprehensive, programmatic review is in order, building on the BLM's public listening sessions. . . .

[T]he purpose of the P[rogrammatic] EIS is to identify, evaluate, and potentially recommend reforms to the Federal coal program. This review will enable the Department to consider how to modernize the program to allow for the continued development of Federal coal resources while addressing the substantive issues raised by the public, other stakeholders, and the Department's own review of the comments it has received.

The Order does not apply to the coal program on Indian lands, as that program is distinct from the BLM's program and is subject to the unique trust relationship between the United States and federally recognized Indian tribes and government-to-government consultation requirements. The Order also does not apply to any action of OSMRE or ONRR.

D. Scoping Discussion

The Programmatic EIS will identify and review potential modifications to the Federal coal program to address the concerns discussed above and others that may be identified during the scoping process, and potentially, identify a preferred set of actions. Such

modifications could include changes to guidance, regulations, and/or land use plans. The process of developing the Programmatic EIS will be used to identify and develop potential changes to the program and evaluate their projected effects on the quality of the human environment. In addition, the Programmatic EIS will consider, as an alternative, a continuation of the current Federal coal program without any modifications, as required by NEPA. The scoping process will refine the specific issues to be addressed in the Programmatic EIS and the potential modifications to be evaluated. Cooperating agencies may include any Federal, State, or local agency or tribal government with jurisdiction or special expertise in matters within the scope of the Programmatic EIS.

1. Issues to be Addressed

The full set of issues to be assessed in the Programmatic EIS will be determined through the public scoping process, but it is expected to include the following topics. The Order identified most of these, but the following list has been expanded to include additional topics and details raised through the listening sessions.

a. How, When, and Where to Lease. The regional leasing program authorized in the 1979 regulations has not worked as envisioned and, instead, the BLM has conducted leasing only in response to industry applications. Given concerns about the lack of competition in the lease-by-application system, as well as consideration of environmental goals, the Programmatic EIS will examine whether the current regulatory framework should be changed to provide a better mechanism or mechanisms to decide which coal resources should be made available and how the leasing process should work.

As part of this evaluation, the Programmatic EIS will examine the issue of when to lease. Some leasing programs for other Federal resources operate with an established schedule

for leasing or consideration of leasing (*e.g.*, BLM holds onshore oil and gas lease sales on a quarterly basis if parcels are available; offshore oil and gas leasing occurs using a schedule established in a five-year plan). The Programmatic EIS will examine whether scheduled sales should be used for Federal coal. In addition, the Programmatic EIS will look at the factors that should be considered in decisions about the timing of leasing. For example, it will evaluate whether market conditions should affect the timing of lease sales, such that sales would occur when coal values are higher rather than during periods of market downturns, when revenues from lease sales would be lower.

The Programmatic EIS will also examine where to lease and where not to lease, consistent with taking a landscape level view of this question. The Federal Land Policy and Management Act requires the BLM to develop land use plans, also known as Resource Management Plans to guide the BLM's management of public lands. The BLM uses this planning process to identify and address, at a broad scale, potential conflicts over and impacts of possible resource uses. The Programmatic EIS will consider whether the BLM's unsuitability screening criteria adequately address the questions of where and/or where not to lease for coal production, as well as other potential factors that could be applied during the planning process to provide guidance on the most appropriate locations for coal leasing. This question is particularly timely in light of the BLM's recent proposal to update the current planning regulations ("Planning 2.0").²¹ The proposed regulatory changes highlight, in particular, opportunities for early public involvement in the planning process and landscape level planning efforts that may cross

²¹ Dept. of Interior, Bureau of Land Management, Resource Management Planning, Proposed Rule, 81FR 9674 (Feb. 25, 2016).

traditional administrative boundaries, both of which are relevant for planning related to the coal program.

b. Fair Return. The Programmatic EIS will address whether the bonus bids, rents, and royalties received under the Federal coal program are successfully securing a fair return to the American public for Federal coal, and, if not, what adjustments could be made to provide such compensation. As part of this analysis, the Programmatic EIS will examine how each of these components of fair return should be calculated, including whether (and if so, what) externalities should be considered as part of the fair return calculation.

c. Climate Impacts. With respect to the climate impacts of the Federal coal program, the Programmatic EIS will examine how best to measure and assess the climate impacts of continued Federal coal production, transportation, and combustion. This will include evaluation of potential substitution effects from any changes in Federal coal production, and consideration of how best to ensure no unnecessary and undue degradation of public lands from climate change impacts. It will also consider whether and how to mitigate, account for, or otherwise address those impacts through the structure and management of the coal program, including, as appropriate, land use planning, adjustments to the scale and pace of leasing, adjustments to royalties or other means of internalizing externalities, mitigation through greenhouse gas reductions elsewhere, information disclosure, and other approaches. The Programmatic EIS will examine the climate impacts of the coal program in the context of the Nation's climate objectives, as well as the Nation's energy and security needs.

d. Other Impacts. The Federal coal program has other potential impacts on public health and the environment, beyond climate impacts, that will also be assessed in the Programmatic EIS. These include the effects of coal production on: The quantity and quality of water resources, including aquifer drawdown and impacts on streams and alluvial valley floors; air quality and the associated effects on health and visibility; wildlife, including endangered species; and other land uses such as grazing and recreation. These impacts are commonly addressed through mitigation requirements. Recent mitigation directives focus on developing a comprehensive, clear, and consistent approach for avoidance and minimization of, and compensatory mitigation for, the impacts of agency activities and the projects agencies approve.²² The Programmatic EIS will evaluate the BLM's general approach to mitigation for these impacts from coal production, and specifically, whether impacts from mining and combusting Federal coal are adequately mitigated across the Federal coal program, including the timing and certainty of mitigation, and whether standard mitigation at the programmatic level should be required, in addition to on a project-by-project basis.

e. Socio-Economic Considerations. Beyond the issue of fair market value, the Programmatic EIS will assess whether the current Federal coal leasing program adequately accounts for externalities related to Federal coal production, including environmental and social impacts. It will more broadly examine how the administration,

²² Secretary of the Interior, Secretarial Order 3330 (Oct. 31, 2013) (establishing a Department-wide mitigation strategy) (<https://www.doi.gov/sites/doi.gov/files/migrated/news/upload/Secretarial-Order-Mitigation.pdf>); President Obama, Presidential Memorandum: Mitigating Impacts on Natural Resources from Development and Encouraging Related Private Investment (Nov. 3, 2015) (<https://www.whitehouse.gov/the-press-office/2015/11/03/mitigating-impacts-natural-resources-development-and-encouraging-related>). Consistent with these directives, the BLM is currently working on a mitigation policy that will bring consistency to the consideration and application of avoidance, minimization, and compensatory actions or development activities and projects impacting public lands and resources.

availability, and pricing of Federal coal affect State, regional, and national economies (including job impacts), and energy markets in general, including the pricing and viability of other coal resources (both domestic and foreign) and other energy sources. The impact of possible program alternatives on the projected fuel mix and cost of electricity in the United States will also be examined.

f. Exports. The Programmatic EIS will address whether and, if so, how leasing decisions should consider actual and/or projected exports of domestic coal from any given tract and potential mechanisms that could be used to appropriately evaluate export potential.

g. Energy Needs. Finally, the Programmatic EIS will examine how Federal coal supports fulfilling the energy needs of the United States. The evaluation will include an assessment of how the administration, availability, and pricing of Federal coal impacts electricity generation in the United States, particularly in light of other regulatory influences, and what other sources of energy supply (including efficiency) are projected to be available.

2. Potential Modifications to the Federal Coal Program to be Considered

The BLM is considering various approaches for reforming the Federal coal program to address some or all of the identified issues above, including providing a fair return to taxpayers and providing appropriate consideration of the impacts the program has on the environment. These approaches may be considered separately or in any combination.

To date, stakeholders have made suggestions that range from maintaining the status quo to undertaking sweeping changes. During the listening sessions, commenters suggested a variety of modifications that could be made to the Federal coal program to better address

concerns about fair return to taxpayers, market conditions, and effects on climate change, among others. Some of these suggestions were sufficiently specific to constitute potential approaches that could be evaluated in the Programmatic EIS. These proposals are summarized below.

The BLM requests comment on whether the Programmatic EIS should further evaluate some or all of these specific approaches, or some variation on them. The BLM also welcomes suggestions for other potential approaches that should be evaluated in the Programmatic EIS, including approaches that may be contrary to those articulated below, such as reforming the leasing process to promote coal development through steps that might accelerate leasing and reduce delays and costs. As previously noted, the Programmatic EIS will also consider a “no action alternative” – the continuation of the program without any modifications – as required by NEPA. We encourage commenters to be as specific as possible in identifying the types of changes to the program that the Programmatic EIS should evaluate, including changes to regulations, guidance, and management practices.

To address concerns about fair returns to taxpayers, the BLM is considering evaluating the following approaches:

- Raise the royalty rate or adjust the royalty terms of new leases, such as:
 - Raise the royalty rate to 18.75 percent, consistent with the royalty rate for Federal offshore oil and gas;
 - Raise the royalty rate to a level that would provide parity on an energy content (Btu) basis with the royalties currently collected for Federal onshore natural gas, a common substitute fuel;

- Raise the royalty rate to the point that would maximize revenues to the taxpayer, taking into consideration any decrease in demand that may result from the higher royalty rate; or
- Identify and require an “add-on” to be paid to reflect the cost of the harm to the public from negative externalities from coal development;
- Limit the use of royalty rate reductions;
- Change the methodology for determining fair market value when establishing the minimum bid or valuing lease modifications, such as:
 - Use the market price of non-Federal coal in the region or nation-wide;
 - Include the option value of leasing the coal resource at a given point in time;
 - Include the social cost of mining (i.e., the cost to taxpayers of mining imposed by fixed cost non-internalized externalities, such as loss of recreational or other values, which do not vary by quantity produced);
 - Explicitly include export value in establishing fair market value;
 - Replace the lease by application approach with an open process of setting (after public comment and expert advice) minimal acceptable bid levels for tracts; or
 - Update the minimum bid established by regulation to account for inflation, and/or establish state-specific minimum bids;
- Raise rental rates to adjust for inflation and/or incorporate lost value of other uses of the land and anticipated externalities of exploratory activities;

- Do not lease to companies that have more than 10 years of recoverable reserves coal at the time of lease application; and
- Evaluate whether there is an over-supply of Federal coal that is undercutting market prices for coal in the United States and thereby leading to lower royalty revenue.

The BLM received the following industry proposals concerned with promoting coal production that are also under consideration:

- Lower royalty rates, including as a means of increasing overall government take;
- Broaden the applicability of royalty rate reductions;
- Reform the leasing process to accelerate leasing and reduce delays and costs;
- Base bonus bids on the amount of recoverable coal, not coal reserves;
- Convert revenue streams to pay-as-you go, instead of an upfront payment of bonus bids over five years; and
- Reestablish the Royalty Policy Committee to guide changes to royalties.

To address concerns about climate impacts and/or other public health and environmental harms, the BLM is considering evaluating the following approaches:

- Change the methodology for determining which, or how much, Federal coal and/or acreage is made available for leasing, such as:
 - Establish a “budget,” or other quantity-based schedule, for the amount of Federal coal and/or acreage to be leased over a given period, with the budget set on a declining schedule consistent with the United States’ climate goals and commitments and market demand;

- Re-establish an updated version of the regional planning and leasing process, using land use planning and environmental evaluation to decide whether an area should be leased; or
- Develop a landscape-level approach to identify geographic areas for potential leasing to identify and address potential conflicts
- Raise royalty rates or require an “add-on” to be paid to reflect the cost of the harm to the public from negative externalities from coal development (could include production-related externalities, transportation-related externalities, externalities from use of coal, and/or costs of infrastructure demand, such as water and power), such as:
 - Incorporating the social cost of carbon;
 - Incorporating the social cost of methane; or
 - Reflecting other externalities;
- Require climate and/or other public health and environmental harms to be mitigated; and
- Prohibit or otherwise limit leasing to entities that are not meeting their environmental responsibilities, such as:
 - Entities listed in the Office of Surface Mining Reclamation and Enforcement Applicator Violator System; or
 - Entities that have not met their reclamation or bonding (including bond release) requirements.

E. Scoping Process

The Federal coal program Programmatic EIS process will provide opportunities for formal public participation through commenting during public scoping and on the draft Programmatic EIS, when that is published. The BLM aims to complete the Coal Programmatic EIS over roughly 3 years. The process will include public and agency scoping, including public scoping meetings, collection of public comments during the scoping period, issuance of a summary of substantive comments received during the scoping period, as well as issuance of a scoping report at the end of the scoping process; coordination and consultation with Federal, State, tribal and local governments; publication of a draft Programmatic EIS; public review of and comments on the draft Programmatic EIS; and publication of a final Programmatic EIS, which will include the BLM's responses to substantive comments received on the draft Programmatic EIS. The Programmatic EIS process is intended to involve all interested agencies (Federal, State, county, and local), Native American tribes, public interest groups, businesses, and members of the public.

At this time, interested parties are invited to participate in the scoping process to assist the BLM in identifying and refining the issues and policy proposals to be analyzed in depth and in eliminating from detailed study those policy proposals and issues that are not feasible or pertinent. Participation in the scoping process may take the form of attendance at public scoping meetings, speaking at public scoping meetings, and/or submitting written comments.

In addition to taking comment on the specific approaches discussed above, as well as welcoming suggestions for other potential approaches that should be evaluated in the Programmatic EIS, BLM is soliciting input on the following:

1. Potential new leasing models, or potential reforms to the previous or existing leasing models of regional leasing and lease by application;
2. Other approaches to increase competition in the leasing process;
3. Data or analyses that justify a specific change to the royalty rate;
4. Potential approaches to improve the pre-sale estimate of fair market value;
5. Whether, and how, to account in the leasing process for the extent to which reclamation responsibilities have been met;
6. Potential approaches to design a ‘budget’ for the amount of Federal coal and/or acreage to be leased over a given period; and
7. How to account for export potential in the leasing process.

Public scoping meetings will be held as indicated above under the **DATES** section. These scoping meetings will be informal. The presiding officer will establish only those procedures needed to ensure that everyone who wishes to speak has a chance to do so, to the extent practicable, and that the agency representatives understand all issues and comments. Persons wishing to speak on behalf of an organization should identify that organization in their request to speak. Should any speaker wish to provide for the record further information that cannot be presented within the designated time, such information may be submitted in writing or electronically by the date listed in the **DATES** section to the addresses listed in the **ADDRESSES** section.

In submitting written comments, individuals should be aware that the entire comment—including personal identifying information (including address, phone number, and email address)—may be made publicly available at any time. While the commenter can request in the comment that the commenter’s personal identifying information be withheld from

public review, this cannot be guaranteed. All comments from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, will be available for public inspection in their entirety. If you would like to receive a copy of the draft Programmatic EIS and other project materials, you are encouraged to make this request through the project website (http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/details_on_coal_peis.html), or you may contact Mitchell Leverette as provided in the **ADDRESSES** section of this notice.

Pursuant to 36 CFR 800.2(d)(3), the BLM will use the NEPA public participation requirements to satisfy the public involvement requirements under Section 106 of the National Historic Preservation Act (NHPA), 16 U.S.C. 470(f). The BLM will consult with Indian tribes on a government-to-government basis in accordance with Executive Order 13175 and other policies. Tribal concerns, including impacts on Indian trust assets and potential impacts to cultural resources, will be given due consideration. Federal, State, and local agencies, along with tribes and other stakeholders that may be interested in or affected by the Federal coal program, are invited to participate in the scoping process and, if eligible, may request or be requested by the BLM to participate in the development of the environmental analysis as a cooperating agency.

After gathering public comments on issues and policy proposals that should be addressed in the Programmatic EIS, the BLM will identify the issues and policy proposals to be addressed in the Programmatic EIS and the issues and proposals determined to be beyond the scope of the Programmatic EIS. Following closure of the scoping period, the BLM will prepare a scoping summary report and will make the report available to the public.

The report will be posted on the project website

(http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/details_on_coal_peis.html), or may be requested from Mitchell Leverette, as provided in the **ADDRESSES** section of this notice.

AUTHORITY: The BLM will prepare the Programmatic EIS in accordance with, but not limited to, the National Environmental Policy Act, 42 U.S.C. 4321 *et seq.*; the Council on Environmental Quality regulations (CEQ), 40 CFR parts 1500–1508; the U.S. Department of the Interior regulations implementing NEPA, 43 CFR part 46; and the Federal Land Policy and Management Act of 1976 (FLPMA), 43 U.S.C. 1701 *et seq.* This notice is published in accordance with section 40 CFR 1501.7 of the CEQ regulations and 43 CFR 46.235 of the DOI regulations implementing the NEPA.

Neil Kornze

Director

Bureau of Land Management

Department of the Interior

[FR Doc. 2016-07138 Filed: 3/29/2016 8:45 am; Publication Date: 3/30/2016]